

Received &amp; Inspected



CONSULTING

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JUL - 1 2014

FCC Mail Room

REDACTED - FOR PUBLIC INSPECTION

June 27, 2014

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 Twelfth Street S.W.  
Washington, D.C. 20554

**RE: FCC FORM 481 – CARRIER ANNUAL REPORTING DATA COLLECTION  
CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE  
ORDER IN WC DOCKET NOS. 10-90, 07-0135, 05-337, 03-109, CC DOCKET NOS. 01-  
92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL  
COMMUNICATIONS COMMISSION (FILED IN DOCKETS 14-58) AND  
CONFIDENTIAL FINANCIAL INFORMATION FILED PURSUANT TO SECTIONS  
.457 AND .459 OF THE FEDERAL COMMUNICATIONS COMMISSION RULES**

Dear Ms. Dortch,

Madison Telephone Company (or "Company") hereby submits the attached redacted and confidential versions of its "FCC Form 481 – Carrier Annual Reporting Data Collection" financial information pursuant to sections §54.313 and §54.422 of the Commission's rules, as filed with the Universal Service Administrative Company.

Section 3005 of Form 481 requires the filing of financial information per 47 C.F.R. §54.313(f)(2). Madison Telephone Company maintains that this information is "Confidential Financial Information" on the grounds that it is competitively sensitive information which could be used to disadvantage or harm Company and is submitting this information pursuant to Protective Order, DA 12-1857 as described below. In addition, the Company is requesting confidential treatment pursuant to sections 0.457 and 0.459 of the Commission's rules for the Five-Year Service Quality Improvement Plan that is required by section 54.313(a)(1) to be attached to this report. Similar to the financial information submitted under section 54.313(f)(2), the information contained in the Five-Year Service Quality Improvement Plan contains competitively sensitive information, including but not limited to projected build-out plans and capital expenditures, that is secure from public access that could be used by a competitor to disadvantage or harm the Company.

No. of Copies rec'd 0+1  
List ABCDE

First, Madison Telephone Company is submitting the 54.313(f)(2) "Confidential Financial Information" as a "Stamped Confidential Document" with each page bearing the legend CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-0135, 05-337, 03-109, CC DOCKET NOS. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION and also submitting the .457 and .459 "Confidential Financial Information" as a "Stamped Confidential Document" with each page labeled "CONFIDENTIAL - NOT FOR PUBLIC INSPECTION". One copy of the "Stamped Confidential Document(s)" and accompanying cover letter are enclosed.

Second, Madison Telephone Company is submitting the "Stamped Confidential Document(s)" as a "Redacted Confidential Document" where the "Confidential Financial Information" has been redacted. Two copies of the "Redacted Confidential Document(s)" and accompanying cover letter with each page labeled "REDACTED - FOR PUBLIC INSPECTION" are enclosed.

Finally, Madison Telephone Company is submitting two copies of the "Stamped Confidential Document(s)" and accompanying cover letter to Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, Federal Communications Commission, 445 Twelfth Street S.W., Room 5-A452, Washington, D.C. 20554.

FCC Form 481 was also filed prior to July 1st with the Illinois Commerce Commission.

Please contact me with any questions you have on this filing.

Sincerely,

*/s/ Dave Beier*

Dave Beier  
Consulting Manager  
GVNW Consulting, Inc.  
(217) 698-2700  
[dbeier@gvnw.com](mailto:dbeier@gvnw.com)

Enclosures

Received & Inspected

JUL - 1 2014

**Madison Telephone Company  
("Madison" or "Company")  
FIVE YEAR SERVICE QUALITY IMPROVEMENT PLAN  
Due July 1, 2014  
Study Area Code 34-1049**

FCC Mail Room

**INTRODUCTION**

This five year service quality improvement plan is a section of Madison's 2015 (2013 activity) FCC Form 481 Annual Report. It is in compliance with §54.313(a) (1) adopted in the FCC's USF/ICC Transformation Order (11-161). This document also incorporates further clarifications identified in subsequent Reconsideration Orders, as applicable, in effect prior to the filing of the Annual Report.

The Company has carefully developed its improvement plan, concentrating upon the delivery and continuation of a robust network which provides, at a minimum, the federally required voice and broadband connectivity as stipulated by regulatory rule. The Company advises that this improvement plan has been carefully crafted, matching measured network deployment, improvement and quality service levels with known financial implications of the Transformation Order upon the Company's support cash flows.

The environment in which the Company operates remains dynamic, not static. As a result, the Company reserves the opportunity to modify its plan in response to further regulatory decisions as they are adopted and as their implication upon the Company's financial viability in providing the required services and service level quality becomes known.

The Company will re-evaluate this plan on an annual basis. Action, however, may also be taken abruptly on the presented plan for both current and outer years in the event of evolving regulatory conditions and/or changes in technology. All adjustments to the improvement plan in this document will be reflected and explained in subsequent annual reports.



[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



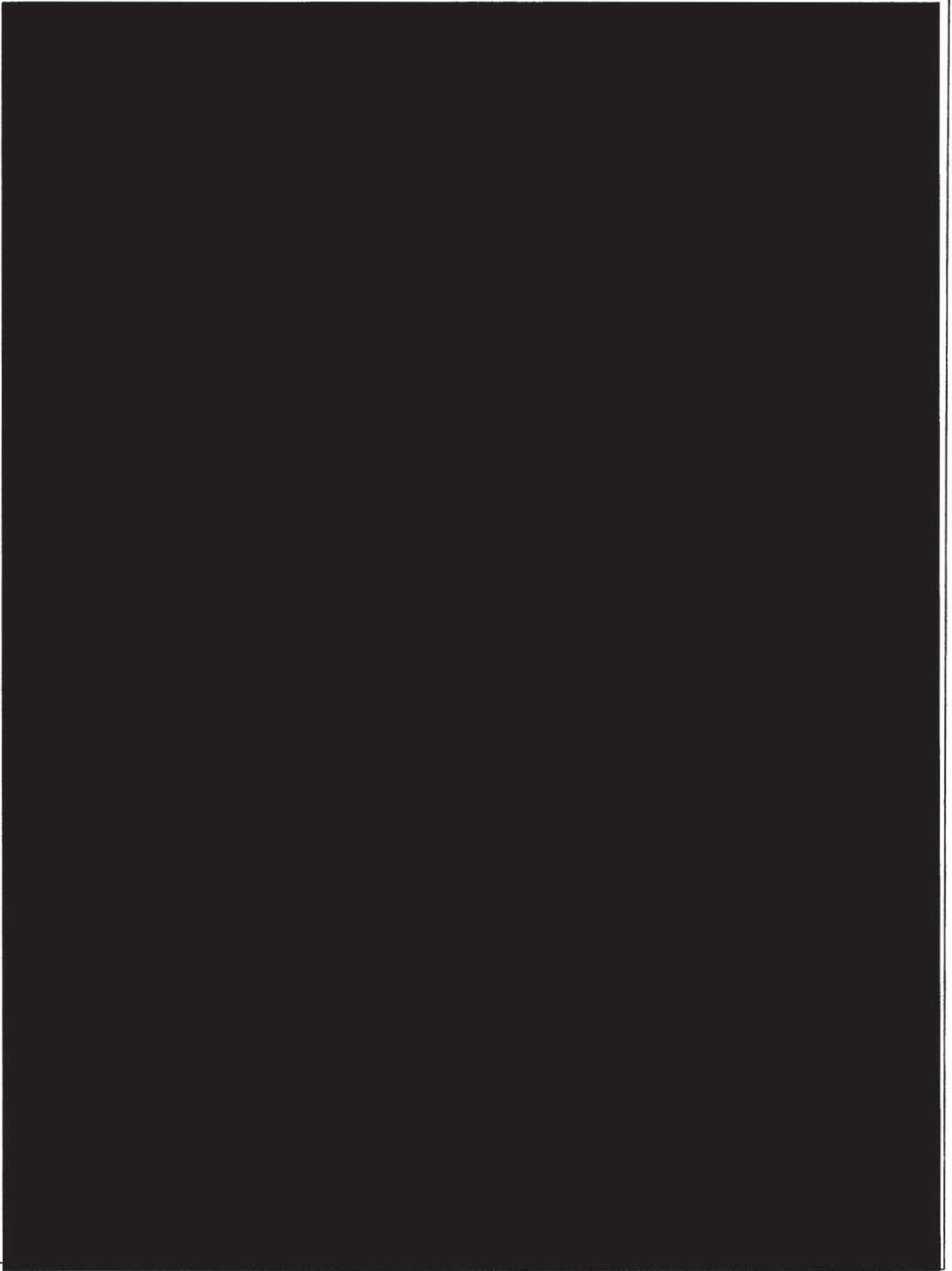
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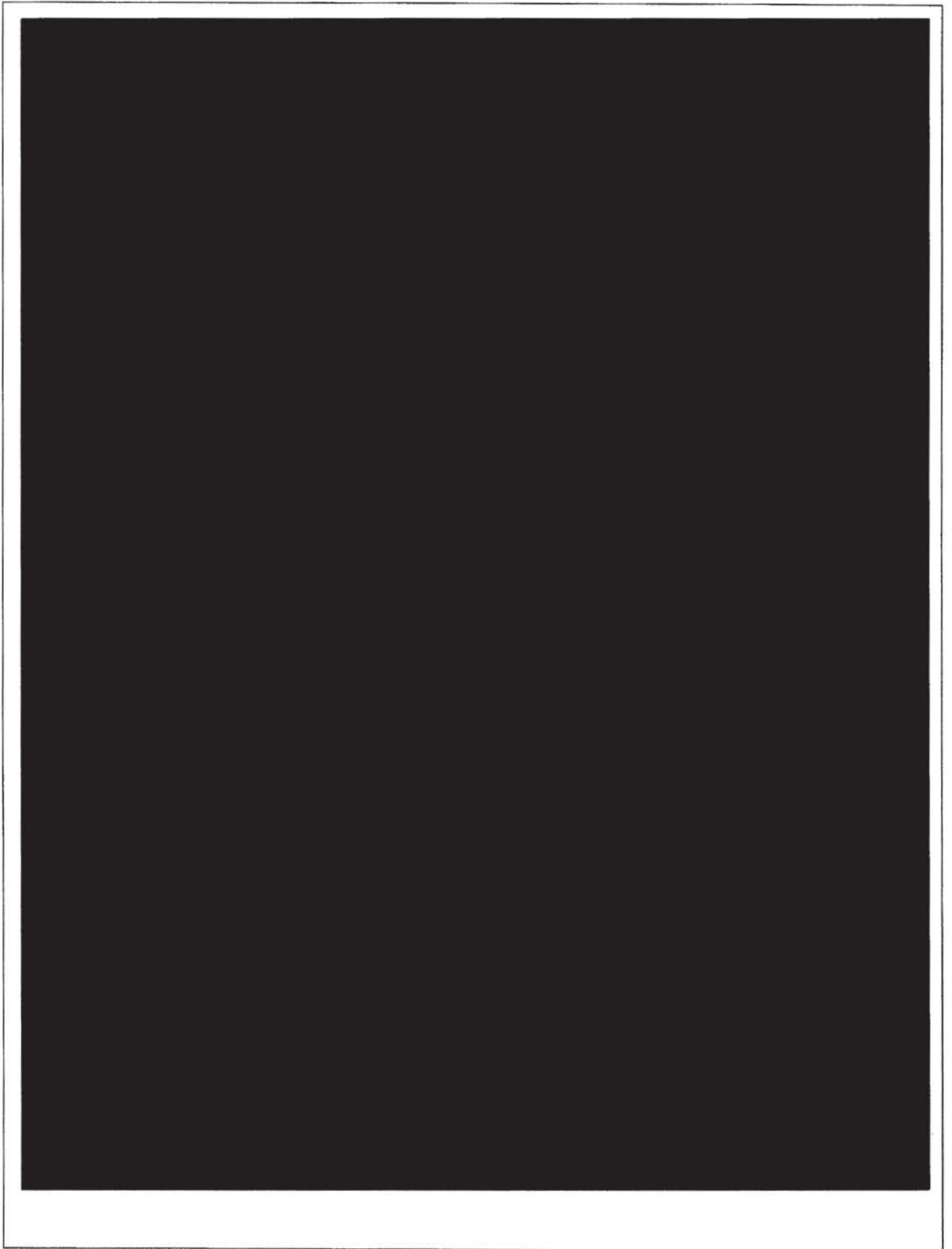
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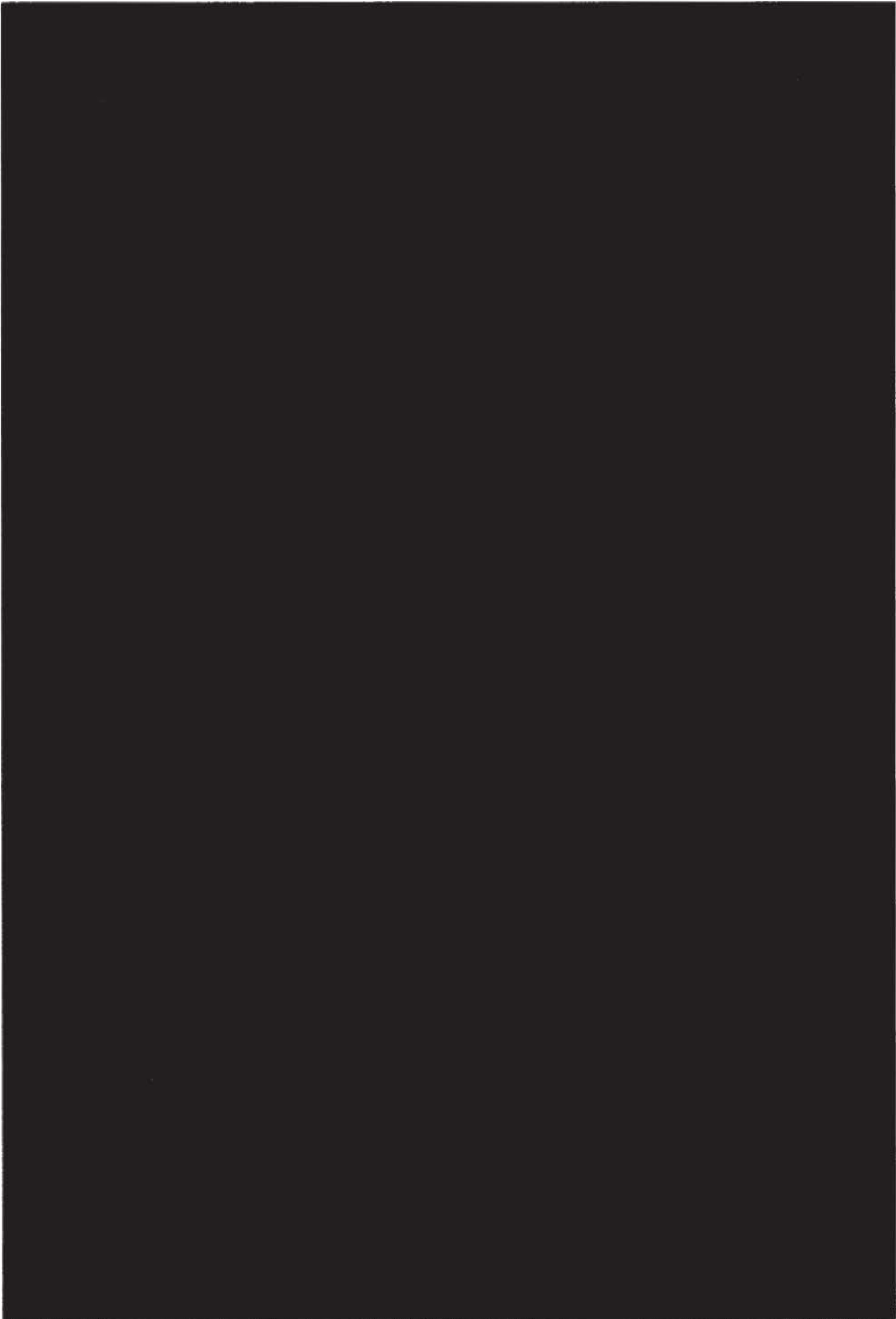
REDACTED - FOR PUBLIC INSPECTION

[REDACTED]

[REDACTED]



















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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Madison Telephone Company  
Staunton, Illinois 62088

We have audited the accompanying financial statements of **Madison Telephone Company** (an Illinois S corporation and a wholly-owned subsidiary of Schwartz Ventures, Inc.), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Madison Telephone Company** as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marlett & Associates CPAs, Ltd.*

Springfield, Illinois  
April 24, 2014

(3005a) Operating Report for Privately-Held Rate of Return Carriers  
Balance Sheet - Data Collection Form

FCC Form 481  
OMB Control No. 3060-0986  
OMB Control No. 3060-0819  
July 2013

Page 1 of 3

<010> Study Area Code 341049  
<015> Study Area Name Madison Telephone Co.  
<020> Program Year 2015  
<030> Contact Name - Person USAC should contact regarding this data Mary Schwartz  
<035> Contact Telephone Number - Number of person identified in data line <030> 618-635-3214  
<039> Contact Email Address - Email Address of person identified in data line <030> mschwartz@madisontelco.com

Filed as reviewed single company  
Filed as reviewed consolidated company  
Filed as subsidiary of reviewed consolidated company

Filed as audited single company  
Filed as audited consolidated company  
Filed as subsidiary of audited consolidated company

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

*Mary Schwartz*  
Signature

Date

PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents			25. Accounts Payable		
2. Cash-RLIS Construction Fund			26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable			28. Customer Deposits		
b. Other Accounts Receivable			29. Current Mat. L/T Debt		
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable			32. Income Taxes Accrued		
b. Other Accounts Receivable			33. Other Taxes Accrued		
c. Notes Receivable			34. Other Current Liabilities		
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)		
6. Material-Regulated			<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated			36. Funded Debt-RLIS Notes		
8. Prepayments			37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes		
0. Total Current Assets (1 Thru 9)			39. Funded Debt-Other - RTFC		
			40. Funded Debt-Rural Develop. Loan		
<b>NONCURRENT ASSETS</b>			41. Premium (Discount) on L/T Debt		
1. Investment in Affiliated Companies			42. Recquired Debt		
a. Rural Development			43. Obligations Under Capital Lease		
b. Nonrural Development			44. Adv. From Affiliated Companies		
2. Other Investments			45. Other Long-Term Debt		
a. Rural Development			46. Total Long-Term Debt (36 thru 45)		
b. Nonrural Development			<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
3. Nonregulated Investments			47. Other Long-Term Liabilities		
4. Other Noncurrent Assets			48. Other Deferred Credits		
5. Deferred Charges			49. Other Jurisdictional Differences		
6. Jurisdictional Differences			50. Total Other Liabilities and Deferred Credits (47 thru 49)		
7. Total Noncurrent Assets (11 thru 16)			<b>EQUITY</b>		
			51. Cap. Stock Outstanding & Subscribed		
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			52. Additional Paid-in Capital		
8. Telecom, Plant-in-Service			53. Treasury Stock		
9. Property Held for Future Use			54. Membership and Cap. Certificates		
0. Plant Under Construction			55. Other Capital		
1. Plant Adj. Nonop. Plant & Goodwill			56. Patronage Capital Credits		
2. Less Accumulated Depreciation			57. Retained Earnings or Margins		
3. Net Plant (18 thru 21 less 22)			58. Total Equity (51 thru 57)		
4. TOTAL ASSETS (10+17+23)			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)		



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(3005b) Operating Report for Privately-Held Rate of Return Carriers  
Income Statement - Data Collection Form

FCC Form 481  
OMB Control No. 3060-0986  
OMB Control No. 3060-0819  
July 2013

Page 2 of 3

<010: Study Area Code 341049  
<015: Study Area Name Madison Telephone Co.  
<020: Program Year 2015  
<030: Contact Name - Person USAC should contact regarding this data Mary Schwartz  
<035: Contact Telephone Number - Number of person identified in data line <030> 618-635-3214  
<039: Contact Email Address - Email Address of person identified in data line <030> myschwartz@madisontelco.com

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS		
ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		
2. Network Access Services Revenues		
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues		
5. Miscellaneous Revenues		
6. Uncollectible Revenues		
7. Net Operating Revenues (1 thru 5 less 6)		
8. Plant Specific Operations Expense		
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
10. Depreciation Expense		
1. Amortization Expense		
2. Customer Operations Expense		
3. Corporate Operations Expense		
4. Total Operating Expenses (8 thru 13)		
5. Operating Income or Margins (7 less 14)		
6. Other Operating Income and Expenses		
7. State and Local Taxes		
8. Federal Income Taxes		
9. Other Taxes		
10. Total Operating Taxes (17+18+19)		
1. Net Operating Income or Margins (15+16-20)		
2. Interest on Funded Debt		
3. Interest Expense - Capital Leases		
4. Other Interest Expense		
5. Allowance for Funds Used During Construction		
6. Total Fixed Charges (22+23+24-25)		
7. Nonoperating Net Income		
8. Extraordinary Items		
9. Jurisdictional Differences		
10. Nonregulated Net Income		
1. Total Net Income or margins (21+27+28+29+30-26)		
2. Total Taxes Based on Income		
3. Retained Earnings or Margins Beginning-of-Year		
4. Miscellaneous Credits Year-to-Date		
5. Dividends Declared (Common)		
6. Dividends Declared (Preferred)		
7. Other Debits Year-to-Date		
8. Transfers to Patronage Capital		
9. Retained Earnings or Margins end-of-Period $[(31+33+34)-(35+36+37+38)]$		
10. Patronage Capital Beginning-of-Year		
1. Transfers to Patronage Capital		
2. Patronage Capital Credits Retired		
3. Patronage Capital End-of-Year (40+41-42)		
4. Annual Debt Service Payments		
5. Cash Ratio $[(14+20-10-11)/7]$		
6. Operating Accrual Ratio $[(14+20+26)/7]$		
7. TIER $[(31+26)/26]$		
8. DSCR $[(31+26+10+11)/44]$		

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(3005c) Operating Report for Privately-Held Rate of Return Carriers  
Cash Flow - Data Collection Form

FCC Form 481  
OMB Control No. 3060-0986  
OMB Control No. 3060-0819  
July 2013

Page 3 of 3

<010> Study Area Code	341049
<015> Study Area Name	Madison Telephone Co.
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	Mary Schwartz
<035> Contact Telephone Number - Number of person identified in data line <030>	618-635-3214
<039> Contact Email Address - Email Address of person identified in data line <030>	mjschwartz@madisontelco.com

PART C. STATEMENTS OF CASH FLOWS	
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
2. Net Income	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
3. Add: Depreciation	
4. Add: Amortization	
5. Other (Explain)	
Changes in Operating Assets and Liabilities	
6. Decrease/(Increase) in Accounts Receivable	
7. Decrease/(Increase) in Materials and Inventory	
8. Decrease/(Increase) in Prepayments and Deferred Charges	
9. Decrease/(Increase) in Other Current Assets	
10. Increase/(Decrease) in Accounts Payable	
11. Increase/(Decrease) in Advance Billings & Payments	
12. Increase/(Decrease) in Other Current Liabilities	
13. Net Cash Provided/(Used) by Operations	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
14. Decrease/(Increase) in Notes Receivable	
15. Increase/(Decrease) in Notes Payable	
16. Increase/(Decrease) in Customer Deposits	
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	
20. Less: Payment of Dividends	
21. Less: Patronage Capital Credits Retired	
22. Other (Explain)	
23. Net Cash Provided/(Used) by Financing Activities	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
24. Net Capital Expenditures (Property, Plant & Equipment)	
25. Other Long-Term Investments	
26. Other Noncurrent Assets & Jurisdictional Differences	
27. Other (Explain) RTFC - Patronage Capital/Certificates, Net	
28. Net Cash Provided/(Used) by Investing Activities	
29. Net Increase/(Decrease) in Cash	
30. Ending Cash	